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December 9, 2020

Ms. Marija Tresoglavic  
Acting Commission Secretary and Manager  
Regulatory Support  
British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Ms. Tresoglavic:

**RE: Project No. 1598990**  
**British Columbia Utilities Commission (BCUC or Commission)**  
**British Columbia Hydro and Power Authority (BC Hydro)**  
**Fiscal 2020 to Fiscal 2021 Revenue Requirements Application**

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BC Hydro writes with regard to Directives 28 and 33 of the BCUC's Decision on BC Hydro's Fiscal 2020 to Fiscal 2021 Revenue Requirements Application. We are requesting that the BCUC:

- Vary the aspect of Directive 28 requiring pre-Test Period costs to be removed from the associated regulatory account balances as this is inconsistent with section 4(1) of Direction 8 to the BCUC. That section precludes the BCUC from disallowing the recovery of any portion of the balance in BC Hydro's regulatory accounts prior to March 31, 2019; and
- Approve the establishment of a new Project Write-off Costs Regulatory Account to capture actual project write off costs where BC Hydro believes future recovery from ratepayers is appropriate. BC Hydro will seek approval of the proposed recovery mechanism for this account in the Fiscal 2022 Revenue Requirements Application.

Further information on these requests is provided below.

**Directive 28 – Electric Vehicle Charging Infrastructure**

Directive 28 directed BC Hydro to remove from its revenue requirement all forecast operating costs related to Electric Vehicle charging infrastructure in the Test Period and to remove the cost of energy to serve BC Hydro-owned Electric Vehicle charging stations in the Test Period. It also directed BC Hydro to remove from the appropriate cost of energy deferral account, the cost of energy incurred prior to the Test Period to serve BC Hydro-owned Electric Vehicle charging stations.

In accordance with this Directive, BC Hydro has removed costs related to Electric Vehicle charging infrastructure from the Test Period revenue requirements.

The wording of Directive 28 contradicts Direction No. 8 to the BCUC to the extent that it requires removing costs in regulatory accounts associated with years prior to the Test Period. Direction 8, section 4(1) provides in part: "In setting rates for the authority, the commission must not disallow for any reason the recovery in rates of the balance of the authority's regulatory accounts as at March 31, 2019 ...".

Therefore, BC Hydro has not removed costs in regulatory accounts associated with Electric Vehicle charging infrastructure from prior to the Test Period, and respectfully requests that the directive be varied accordingly.

### **Directive 33 – Mechanism to Capture Actual Project Write-Off Costs**

Directive 33 directed BC Hydro to make a proposal for a mechanism to capture the actual project write-off costs in the Test Period for recovery over the subsequent test period. In its Decision, the BCUC stated:

"The Panel, however, is willing to consider a mechanism, such as the establishment of a regulatory account, to capture BC Hydro's actual project write-off costs for future recovery, provided that in future RRAs BC Hydro also lists all of the projects and costs that have been written-off and captured in the regulatory account along with a description of each project, the rationale for incurring the costs and the rationale for the decision to not continue with the project. In the Panel's view, this would provide the BCUC and interveners with an opportunity to review the reasonableness of these costs. The Panel acknowledges that this would cause a delay between when the write-offs were incurred and when they are recovered. However, if the regulatory account balance is to be cleared over each test period, this would result in minimal intergenerational equity issues and balances the need for BC Hydro to recover these costs from ratepayers and the BCUC's ability to examine these costs prior to their recovery."<sup>1</sup>

In accordance with Directive 33, BC Hydro submits the following proposal:

- Starting with costs related to fiscal 2020, BC Hydro will establish a new Project Write-off Costs Regulatory Account to capture actual project write-off costs in each fiscal year for which BC Hydro believes future recovery from ratepayers is appropriate;
- In the subsequent test period, BC Hydro would propose to include any amounts deferred to the new Project Write-off Costs Regulatory Account related to a completed fiscal year in rates, subject to BCUC approval; and

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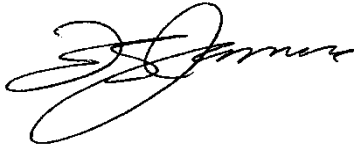
<sup>1</sup> BCUC Order No. G-246-20, pages 107-108.

- In its revenue requirements for fiscal 2022 and future years, BC Hydro would provide the total project write-offs incurred and a list of all the amounts that BC Hydro has captured in the regulatory account for which it is seeking recovery in rates along with a description of each project, the rationale for incurring the costs and the rationale for the decision to not continue with the project. This would provide the BCUC and interveners with an opportunity to review the reasonableness of these costs.

BC Hydro requests that the BCUC approve the establishment of a new Project Write-off Costs Regulatory Account to capture actual project write-off costs where BC Hydro believes future recovery from ratepayers is appropriate. BC Hydro will seek approval of the proposed recovery mechanism for this account in the Fiscal 2022 Revenue Requirements Application.

For further information, please contact Chris Sandve at 604-974-4641 or by email at [bchydroregulatorygroup@bchydro.com](mailto:bchydroregulatorygroup@bchydro.com).

Yours sincerely,



Fred James  
Chief Regulatory Officer

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Enclosure